

APPENDIX A

ALLOCATION SUMMARY AND RESOURCES OVERVIEW

2005 – 2008 Consolidated Plan Revenue Outlook

The 2005 – 2008 Consolidated Plan anticipates the receipt and use of approximately \$96 million of federal funds in the four Consolidated Plan funding programs over the course of the next four years. The City's intent is to use these funds to help support the achievement of the City's housing, human services, and community development goals.

The City is undertaking a biennial budget process that includes a two-year allocation for the Consolidated Plan funds for 2005-2006. In the course of the 2005-2006 biennium budget process, the City shall make two-year allocations of these resources based on certain revenue assumptions for each source of funding. Final program allocations are subject to the appropriation levels set by the U.S. Congress and implemented by HUD and, in some cases, on the level of program income received.

Resources from other federal, state, and local funds will be used to achieve these goals as well. Some of these other sources are utilized directly by the City and others are used by community-based non-profit organizations in conjunction with City CDBG, HOPWA, ESG, or HOME funds. Significant other federal sources include funds from the McKinney program and funds for rent certificates and vouchers and tax exempt lending programs. State funds include proceeds from the State Housing Trust Fund and the State Community Services Facilities Loan Program. Local funds from the City come from the General Fund and a seven-year Housing Levy.

The use of private resources such as debt financing, equity, expertise, materials, donations, land and buildings, is an essential element of Seattle's use of resources for affordable housing and public (community) facilities. Major sources of private investment are United Way, which increasingly supports service costs connected to emergency housing and homeless services; Local Initiatives Support Corporation, which supports interim financing, predevelopment financing, and tax credit projects; many local foundations, which make both operating and capital grants for housing development and operation; local banks; tax credit proceeds; owner equity, match, labor, and expertise; and thousands of hours of citizens' time spent planning, and revising policy documents governing Seattle's activities in these goal areas.

2005 CDBG Revenue Estimate

Over the past five years, Seattle's CDBG entitlement has both risen and fallen. In 2003, the City's CDBG entitlement award increased by \$201,000 over the 2002 level. The allocation for 2004 was lower by \$180,000, down to \$14.8 million. Pressures on the federal budget combined with an increasing number of entitlement jurisdictions are assumed to work to reduce Seattle's share of CDBG.

The current Community Development Block Grant revenue projection for 2005 is \$14,739,000 in the annual entitlement plus approximately \$2.1 million in program income and reprogrammed funds.

Overall Allocation Guidelines

The 2005 funding allocations shall use the overall guidelines:

- The City will continue to allocate the maximum amount of CDBG revenue for human services allowed by federal regulations. Remaining CDBG resources shall be used to support physical development and City administration activities; therefore, the City will continue its policy that the priority for managing decreases in CDBG resources will be to reduce funding allocations in physical development and/or administrative activities and not in human services. Similarly, any increase in CDBG revenues will be distributed to the same. In addition, the City will continue to develop strategies to increase efficiencies that could potentially offset future CDBG funding reductions and will explore other funding options, federal funding, private funding, and foundation funding to address anticipated funding reductions.
- Program income from the single-family program, the multi-family fund, and the inactive Single Room Occupancy (SRO) program, will remain within these revolving loan funds except that SRO program income will be placed for use in the multi-family fund. We do not expect any program income from the SRO program during the period 2005 – 2008.
- All programs funded by CDBG, whether they are operated by City departments or by community-based organizations, will be consistent with the goals of the Consolidated Plan.
- CDBG allocations for programs operated by City departments will be determined through the budget process.
- The City's policy is to permit up to 20 percent of CDBG expenditures for administration and planning activities, as allowed under CDBG regulations. Also, federal regulations currently allow cities to set aside up to 10 percent of the CDBG grant funds as contingency for cost overrun.
- In the event that the projected revenues differ from the actual revenues, the CDBG Administrator will work with affected City departments and implement policies and strategies stated in this Plan. At the earliest possible opportunity, prior to submittal of the

revised Table of Proposed Projects to the Council, the CDBG Administrator will present recommendations to the Mayor and Council on how to meet the actual revenues following the substantial amendment public process rules. Mayor and Council decisions will then be incorporated into the City's revised annual Table of Proposed Projects submitted to HUD.

- Allocation of increases will be determined through departments administering the service area through various competitive or negotiated processes. Nothing is guaranteed to a contractor except payment under a duly executed City contract. In making inflationary adjustments, departments will consider the following:
 - Shifts in non-City funding to various programs within the service area.
 - Agency performance in providing service.
 - Impact of inflation on the cost of service.
 - Inequities within staff compensation or other costs among programs providing similar services.
 - Extraordinary costs which threaten the ability to deliver critical services.
 - Support for priority services as determined by the Consolidated Plan.

2005 ESG Revenue Estimate

ESG funds have been used in Seattle to improve the quality of emergency shelters; to support shelter initiatives to expand capacity; and to provide "essential services," non-maintenance, or security personnel to access supportive services to stabilize people in the community. A maximum of 5% of the grant is allocated to the Human Services Department for administrative costs while 95% of the total grant provides support for programs providing services to homeless people. The HSD Community Services Division administers the ESG program.

The City of Seattle is using an estimate of \$545,786 for 2005, a slight decrease from the 2004 funding level of \$551,728.

2005 HOME Revenue Estimate

We are anticipating the ability to use \$5.29 million in HOME resources, including the annual entitlement plus program income (primarily loan repayments). Please see the Goal 1 strategies on the general uses of HOME funds.

2005 HOPWA Revenue Estimate

Funding estimate for the 2005 Consolidated Plan is \$1,686,000, a very slight reduction of \$2,000 from the actual 2004 award.

CITY OF SEATTLE STRATEGIES FOR THE USE OF CONSOLIDATED PLAN FUNDS

Strategies for the Use of CDBG Funds

This section is to provide the City's overall strategies for using CDBG funds in accordance with policy priorities set forth by the Mayor and Council through various policy setting processes, including but not limited to, the budget process. Additionally, each program or planning area is recommending specific funding strategies for increased or decreased level of CDBG and HSP funds.

Human services, affordable housing, and economic development are top priorities of the Mayor and City Council for the use of CDBG funds. The City of Seattle will maintain its current CDBG funding policies. That is, to maintain the federally approved CDBG funding cap for public services. Given the CDBG spending cap on human services, any increase or decrease of CDBG funds will be applied to the physical development programs and planning/administration.

Increased Funds

CDBG Funds - In the event that CDBG revenues exceed the current estimates, the additional resources shall be distributed to: 1) mitigate the funding reductions currently applied to various CDBG physical development programs, grant administration, and planning efforts; 2) provide a comparable funding increase to the aforementioned program areas to the extent possible, and 3) increase funding for those physical development programs that leverage non-City revenues or that do not require on-going annual funding. To the extent possible, the City shall avoid development of a CDBG operating expense base that cannot be sustained if the federal government fails to maintain future CDBG funding at the current levels.

Decreased Funds

CDBG Funds - The following criteria shall guide funding reduction decisions:

- Human services continue to be a high priority for Seattle, and the City is committed to maintaining the current level of CDBG funding for human services.
- The CDBG funding reductions shall be made in planning, administration, and physical development programs, including program delivery costs. They include Community Facilities, Economic Development, and Housing. One-time-only capital projects are most likely to experience reduced allocations of any CDBG revenue decrease. Funding reductions will be applied across-the-board among physical development programs below the projected levels.
- The City will explore any other possible areas of savings or reductions that have a minimal impact on sustaining current levels of program operations and services. The CDBG Administrator shall work with affected City programs in identifying and capturing prior year CDBG under-expenditures.

- The CDBG Administration Office has developed formal administrative policies and procedures for recapturing and re-allocating underexpenditures. The primary intent behind the policies and procedures is to promote an efficient and timely expenditure of grant funds.
- In order to meet HUD's timely expenditure requirements and to ensure funds are expended in a deliberate and efficient process, the CDBG Administrator shall, by no later than April 1 of each year, review CDBG allocations made to all entities. The CDBG Administrator, in consultation with the affected City departments as well as the Executive department overseeing these entities, will evaluate the recapture of CDBG funds under the following conditions:
 1. Unexpended CDBG funds allocated to human services, planning, administration, and City's internal staffing and operating costs shall be recaptured at the end of City's fiscal year;
 2. Unexpended CDBG funds allocated to various technical and project assistance activities including those supporting the operations of non-profit developers carrying out economic development and low-income housing development activities, shall be recaptured at the end of a one-year contractual cycle;
 3. Unexpended CDBG funds allocated to physical development activities including Low-Income Housing, Community Facilities, Parks Upgrades, Neighborhood Matching Fund, Equity Investment, and Façade Improvement shall be recaptured at the end of three years from the date of award notice or funding reservation letter from the City, unless these funds are encumbered by authorized and executed contracts, or unless substantial expenditure and progress on the project are documented, including substantial completion of design in the case of capital projects; and
 4. Funds not otherwise covered under 1, 2 and 3 above that are not awarded or encumbered after three years shall be recaptured at the end of the City's fiscal year.

The HSD Director shall, in the annual Table of Proposed Projects or amendment to the annual Table of Proposed Projects approved by Council, include a proposal for the use of recaptured CDBG funds. The recaptured CDBG funds shall be reallocated as follows:

- ✓ Each year's Action Plan is budgeted based on estimates of available funding. This estimated funding includes unexpended funds from the previous year(s) that are recaptured as described in this section of the Consolidated Plan. These recaptured funds will first be used to fund the current year's Action Plan to the extent necessary.
- ✓ In the event that the HUD Award is less than budgeted, any additional recaptured funds, if identified, will then be used to cover this CDBG shortfall.